Nepal's trade deficit widens by Rs 114 billion

Due to higher rate of growth in imports compared to exports, Nepal registered a substantial rise in trade deficit of about Rs 114 billion during the fiscal year 2005-06, in comparison to the same period in the previous fiscal year.

The trade imbalance continues to rise due to swelling imports vis-a-vis sluggish exports, as it rose by an overwhelming 25.5 per cent in 2005-06 compared to the growth of 10.2 per cent in 2004-05.

Nepal's total foreign trade, however, recorded a sound growth of 13.5 per cent and touched Rs 236.36 billion during the period, according to a Nepal Rastra Bank (NRB) report. In 2004-05, the country's total foreign trade was Rs 208.17 billion. Despite the increase in trade deficit and a decline in net services, a surplus was registered in the current account primarily due to the higher inflow of remittances. Consequently, the balance of payments (BoP) also posted a surplus during the review period. The overall BoP registered a surplus of Rs 25.6 billion in 2005-06 and the current account marked a surplus of Rs 13.8 billion during the period in comparison to Rs 11.5 billion a year earlier.

According to NRB, the total exports registered a growth of 4.2 per cent compared to an increase of 8.9 per cent in 2004-05. Exports accounted for 10.5 per cent in total GDP, in comparison to 11 per cent a year earlier.

Of the total exports, export to India rose by 5.4 per cent in 2005-06 in comparison to a significant growth of 26.4 per cent last year. Exports to other countries rose by 1.8 per cent in 2005-2006 in contrast to a significant decline of 14.5 per cent a year earlier.

The total imports galloped by 17.1 per cent in 2005-06 compared to an increase of 9.7 per cent a year earlier. The share of imports in GDP rose to 30 per cent in 2005-06 from 28 per cent a year earlier. Out of total imports, imports from India soared by a whopping 23.3 per cent in 2005-06 in comparison to a growth of 12.6 per cent last year. Imports from other countries, on the other hand, rose by 8.2 per cent in comparison to a growth of 5.7 per cent a year earlier.

Nepal ranks tenth in economic report

Nepal has been ranked tenth position in the economic report prepared by the Switzerland-based World Economic Forum.

The report based on the economic survey conducted in 125 countries by the forum was made public in Switzerland recently. Executive Director of CEDA, Dr. Ramesh Chandra Chitrakar who has been working as partner with the forum, informed about the research report as well as the present situation of the country.

The report shows that Nepal has made good progress in health and primary education front while placing her in the tenth position along the rank of such countries as Switzerland, Finland and Sweden.

The prolonged political instability, unstable government policy, corruption and inefficiency at administration level are found to have hindered economic development of Nepal, according to the report.

Nepal has not been able to achieve economic development because of the on-going political instability and conflict, said Executive Director, Chitrakar.

While the report ranks Switzerland in the first position, India and Sri Lank have been placed in 43rd and 79th position respectively with Angola taking the last position.
Tourist arrival goes up

Tourist inflow went up by 3.3 per cent in the first nine months of the current fiscal year in comparison with the corresponding period of the previous year, according to a data released by the Ministry of Culture, Tourism and Civil Aviation.

During the first nine months of 2006, a total of 90,796 tourists entered Nepal by air.

Meanwhile, the foreign tourists arriving by air has declined by 7.4 per cent in the month of September this year as compared to the corresponding period last year.

In September 2005, a total of 27,511 foreign tourist entered Nepal via air whereas the number came down to 25,484 during the month of September this year. The total number of Indian tourists arriving by air whereas the number of tourists arriving by air has declined by 17.4 per cent whereas the visitors arriving from third countries witnessed 2.8 per cent decline during the month of September this year as compared to the corresponding period last year.

GDP growth projected at two per cent

Asian Development Bank (ADB) has forecasted Nepal's GDP growth in 2006 at two per cent, due to adverse impact of poor summer and winter weather on agricultural production.

Besides poor performance by the agriculture sector, the economic outlook is rendered uncertain by recent worsening of insurgency, political instability and the growing polarisation between the government, says the bank's flagship publication Asian Development Outlook 2006 Update, released recently.

Beyond 2006, the pace of growth will hinge on political stability and credible progress in finding a political solution to the conflict. However, the bank is hopeful that Nepal's economy would recover in 2007, as it predicts the GDP growth at 3.4 per cent. Despite intensification of the conflict in 2002, Nepal has managed to maintain a relatively solid annual expansion of two to three per cent since then, for two main reasons - the manufacturing sector and a steady inflow of workers' remittances.

Besides keeping the national economy afloat, the increased inflow of remittances has underpinned consumption and helped alleviate the worst effects of the conflict. These two factors should, it is hoped, continue to operate, says the bank. ADB forecasts that agricultural growth is expected to be pulled down to 1.5 per cent in 2006 by the weather-related decline in both winter and summer crops. It is projected to pick up to 3.5 per cent in 2007.

According to the bank, the industry sector in 2006 will also slowdown and the growth is estimated at 1.3 per cent, reflecting continued conflict-related disruptions and a sharp decline in readymade garment exports since the abolition of quotas under World Trade Organisation agreements. Expansion in services is projected to improve by 2.8 per cent in 2006, reflecting a slight rebound in tourism, and is forecasted to rise further by 3.9 per cent in 2007, assuming that the number of tourist arrivals from Europe and North America will pick up.

The report says that inflationary pressures are likely to increase further as the full effect of high oil prices are passed through to consumers, and as low paddy production plays out in higher market prices. ADB predicts that inflation will rise sharply to eight per cent in 2006, well above the average of past 3 years.

SAARC

India's FDI nearly double in first four months

India's booming economy drew a record 2.9 billion dollars in foreign direct investment in the first four months of the fiscal year, nearly double last year's amount, a report said recently.

"FDI inflows in April-July 2006-07 increased by 9 per cent to 2.9 billion dollars from 1.5 billion dollars in the same period of the last fiscal year," Commerce Minister Kamal Nath told reporters, according to the Press Trust of India.

"India is set to receive 12 billion dollars this year as against 8.3 billion dollars in 2005-06," Nath said in New Delhi.

For July, FDI inflows increased by a record 259 per cent to 1.16 billion dollars compared with 324 million dollars in the same month a year earlier, Nath said. This total did not include reinvested earnings.

Bhutan's apple exports increase

With India's main apple growing states recording poor yield this year, there has been considerable rise in exports there from Bhutan, say exporters.

As a result, exports to Bangladesh have dropped by about 1,500 tonnes this year. "This is largely because more Bhutanese are selling their apples to Indians," said an exporter. Prices in Bangladesh, which increased from $550 a tonne to $580 when the season picked up, dropped to $500 by the end of August because the market was flooded with excess supply.

The Bangladesh import syndicate tried to control the price, according to exporters. They said this year exports to India fetched about $30-40 more than what was paid by Bangladesh importers.

Officials of the Bhutan Agriculture and Food Regulatory Authority (BAFRA) said exports to India could not be certified because of the porous border.

Bhutanese suppliers exported quality apples straight to Indian buyers without involving exporters or the Food Corporation of Bhutan (FCB). This year, 428.83 tonnes of apples were auctioned to Indian buyers from the FCB's auction yard in Phuentsholing.

"Importers from Assam and West Bengal come to Jaigaon and the auction yard to buy apples," said Tshering Dorji of Kenpa Private limited. Exporter Nandalal Rai said a box of apples fetched only about 438 ngultrums (Rs 455 Indian Currency) on reaching the India-Bangladesh border.

The rates on reaching Phuentsholing from where the Indian buyers bought the apples were 480 to 500 ngultrums.

Indian industrial output up 12.4%

Industrial production posted its highest growth in a decade at 12.4% in July, further buttressing that the economy is on a roll. The record growth in the index of industrial production (IIP) is propelled by the consistent high growth in the manufacturing sector output, which rose by 13.3% in July.

Manufacturing output had grown by 13.4% in June and the previous closest high growth in the recent past was seen in June 2005 when the output rose by 13.2%.

The data on industrial production has come on the heels of Indian economy displaying robust growth of 8.9% in the first quarter of the current fiscal.

On a cumulative basis, IIP increased by 10.6% in April - July 2006 - 07 as against 8.9% in the same period.
last fiscal, according to the quick estimates of Central Statistical Organisation.

Food products industry grew at the faster rate of 26.8%, followed by wool, silk and man-made fibre textiles at 25%. Transport equipment sector has shown a growth of 22.4%, basic metal and alloy industries by 19.5% and textile products at 17.3%.

Sri Lankan co spins textile projects in India

Brandix Lanka Limited of Sri Lanka and South India Mills Association (SIMA) have decided to set up projects worth Rs 4,500 core and Rs 750 core, respectively, in integrated textile parks situated in Vishakhapatnam and Cuddalore.

"While the Sri Lankan company has been allotted 1000 acres of land for setting up garment, knitting and processing units, and will employ 6,000 persons, SIMA will create a pool of small and medium processing and weaving facilities in the ambitious textile parks scheme launched in 2005," CEO, cluster development initiative, IL&FS ltd and project management consultant of the scheme, RCM Ready told FE.

The two are expected to begin operations by 2008. Brandix, primarily engaged in the manufacture and export of garments, wished to source garments from India by utilising the special privileges offered under the textile parks scheme, Reddy said.

The work on other 24 parks is progressing as per schedule and will be completed by March 2008. Total investment will be to the tune of Rs 13,500 core. The scheme targets an annual production of Rs 19,520 core and will provide employment to 5 lakh persons when fully operational. Government will contribute Rs 850 core to develop infrastructure facilities in the project.

China's economy expected to grow 10.5%

China's economy is likely to grow by 10.5 percent this year and slow only slightly in 2007, state - run newspapers said recently, citing a government think tank that called for stronger action to cool an investment boom. Authorities should raise interest rates "appropriately" and step up foreign exchange reforms and controls on the property market, the Chinese Academy of Social Sciences said in a report carried in the China Securities Journal and academy advises the government, so its views are considered to carry some weight.

China's fixed assets investment growth drops 5.9%

China's fixed assets investment rose 21.5% in August, its growth down 5.9 percentage points from July as a result of strict macro control policies by the government to rein-in the 'red hot' economy.

The slowdown has continued for two successive months. In July, China's fixed assets investment rose 27.4%, but was down seven percentage points from June.

"Positive signs have appeared in investment sectors after two months of macro-economic control, but the growth rate remains too rapid," director of the National Bureau of Statistics Qiu Xiaohua said.

The accumulated fixed assets investment from January to August surged 29.1% year-on-year. Qiu said the figure "still falls into the range of too rapid growth".

He said the focus of the macro-economic control in the second half was to bring down the investment growth to "a reasonable range" and optimise investment structure.

"Curbing investment has become a major objective of China's macro-economic control after urban investment rose 29.8% in the first quarter and hit 31.3% for the first half, a three-year high.

Qiu attributed the 'Positive signs' to the tax and credit curbs on the real estate sector and tougher security of projects in energy-intensive and polluting industries.

Since April, China has twice raised the bank reserve ratio requirements, and lifted the benchmark interest rate for loans and deposits of financial institutions. Qiu said new macro-control measures would be unnecessary once the existing policies took full effect.

Rapid growth in fixed-assets investment was necessary as China underwent urbanisation and industrialisation, a senior NBS official was quoted as saying by Xinhua news agency. PTI

Japan's GDP revised upwards

Japan said that a key gauge of corporate capital spending plunged by the most for almost two decades in July, overshadowing a small upward revision to second quarter economic growth.

Private-sector core machinery orders slumped 16.7 per cent in July, the steepest fall since the government began compiling the data in April 1987, the Cabinet Office said.

Year-on-year, core private orders, which exclude particularly volatile demand from electric utilities and for ships, were down 1.2 per cent.

The market had expected a 5.5 per cent month-on-month fall after a jump of 8.5 per cent in June and a 2.1 per cent dip in May.

Concern over the figures undercut any optimism about an earlier report showing that Japan's economy grew by 1.0 per cent on an annualised basis in the three months to June, up from an initial estimate of 0.8 per cent.

Quarter-on-quarter, gross domestic product (GDP) expanded by 0.2 per cent, unchanged from the earlier estimate, the Cabinet Office said.

Japanese shares slumped to a two-week low back under 16,000 points as investors fretted over the weak machinery orders, with the benchmark Nikkei-225 index closing down 286.08 points or 1.78 per cent at 15,794.38.

Spending by companies on plant and equipment has been playing
a key role in Japan's economic recovery and the figures are closely watched by investors, although orders tend to fluctuate sharply from month-to-month.

**Thailand's economic growth trails**

Political turmoil and flagging exports have resulted in Thailand trailing its Asian rivals in economic growth, Fitch Ratings reported recently.

The international financial agency revised down the kingdom's growth forecast to 4.3 per cent from 5.0 per cent for 2006, saying that political uncertainties had caused Thailand to "lose a year" fiscally.

Fitch put average Asian growth at 5.4 per cent for this year, with Vietnam forecast to grow by 7.8 per cent, followed by Singapore at 7.0 per cent and Indonesia and Malaysia expected to report 5.2 per cent gains.

Fitch also estimated growth of only 4.6 per cent for 2007, still below the forecast Asian average of 5.1 per cent.

**WORLD**

**Economic growth in US slows to 'stall speed'**

The US economy has slowed more dramatically than most economists expected just a few weeks ago, leaving it more vulnerable to a recession. Forecasts at Goldman Sachs Group Inc and Alliance Bernstein Holding LP in New York have cut their growth estimates for the just-ended third quarter to an annual rate of 2% or less.

They don't foresee much, if any, improvement in the fourth quarter; auto-production cuts and slumping home sales are likely to overwhelm any boost the economy gets from lower gasoline prices, they say.

'We're decelerating fairly significantly," says Peter Hooper, a former Federal Reserve official who's now chief economist at Deutsche Bank Securities Inc. in New York.

He sees annual growth below 2% in the second half. The economy expanded at a 2.6% rate in the second quarter and 5.6% in the first. Growth is getting closer to what Macro-economic advisers LLP President Chris Varvares describes as the stall speed, where an unexpected shock such as a terrorist strike or a hurricane might be enough to trigger a recession.

A mathematical model of the economy developed by Federal Reserve economist Jonathan Wright puts the chances of a recession over the next year at about 40%.

**Russian economy to grow 6.6%**

Russian's economy will grow 6.6% this year, finance minister Alexei Kudrin said in an address to Parliament. Growth averaged 6.5% in the past four years, Kudrin told the State Duma recently in a presentation of Russia's 2007 draft federal budget. The economy will expanded 6% next year, he said.

Russia, the world's second-biggest oil producer, is heading for an eighth year of growth, as high prices of the commodity boost revenue, the longest period of expansion since the fall of the Soviet Union. The economy grew 7.4% in the second quarter, a government report showed Sept. 11, quickening from 5.5% in the first three months of the year. In 2007 Russia "will gain back the GDP it lost in the 1990s, as well as the nation's industrial potential," Kudrin said.

**US economy to cool, Fed to cut rates**

The US economy is likely to cool enough to prompt a Federal Reserve interest rate cut in the second half of next year but analysts see only a one in five chance of a recession starting in 2007, a Reuters poll shows.

The survey of over 60 economists taken during August 14-17 showed they believed rates had peaked at 5.25%, and saw a 60% chance that the Fed will trim them next year. Median forecasts put the federal funds rate at 5% by the end of the third quarter of 2007, but the range of forecasts for base US borrowing costs at that time varied from 4% to 6.25%. The poll also showed US gross domestic product is forecast to expand at a 3. 4% pace this year on a fourth-quarter over fourth-quarter basis but slow to 2.8% on the same measure in 2007.

**Indo-Russia trade not encouraging**

Russia has expressed disappointment with the current level of trade and investment with India and identified 'infrastructural constraints' as the chief obstacle in realising the full potential of economic relations between the two countries.

"The current volumes of trade and economic cooperation between our countries are not commensurate with the extraordinary level of strategic partnership," Russian ambassador to India at a seminar at Chandigarh.

During 2005, the Russian -Indian trade turnover reached only $3.1 billion that is several times less then India has with other large countries, he said. Investment cooperation between India and Russia remains small with Russian investment in India making up less than one per cent of the total investment.

**German economy may expand 2%**

German Chancellor Angela Markel said economic growth may reach 2% this year, echoing a revised forecast for Europe's largest economy made by the International Monetary Fund recently.

Leading economic forecasters, including the IMF, have pegged their forecasts for German economic growth higher. "We will all be happy if it's 2% economic growth at the end of the year," Merkel said in a speech to a business audience in Berlin recently. Faster economic growth is helping federal tax revenue grow, raising the possibility that Markel's deficit may be smaller than set in the budget.

Markel's comments reflect the fact the German economy expanded 0.9% in the second quarter from the first, the fastest pace in five years, as export demand spilled over into spending on investment goods, construction and private consumption. The unemployment rate on last August held at a two-year low after three straight declines. Markel's plan to raise sales tax by 3 percentage points to 19% next year may be counterproductive, economists have said. Germany aims to keep its budget deficit below 3 per cent of gross domestic product, the limit set by the European Union, for the first time since 2001.

---

Compiled and Edited by : Rameswar Acharya
Assisted by : Bidur Chandra Lamichhane
Published by : Federation of Nepalese Chambers of Commerce & Industry (FNCCI)
P.O.Box: 269, Panchali, Sahid Sukra FNCCI
Milan Marg, Teku, Kathmandu
Tel: 426218, 4262061, 4266889
Fax: 971-1-4261022, 4262001
E-mail: fncci@mos.com.np

(R Sept/Oct - 2006)
BUSINESS OPPORTUNITIES

Following Business Opportunities have been received in the Federation of Nepalese Chambers of Commerce & Industry (FNCCI). Interested Parties may contact with parties concerned.

IMPORT

1. Rubel Syndicate, Chittagong, Bangladesh.
   - Indenting Agent
   - Tel : 88-031-631318 / 627735
   - Fax : 610259 (ATN: MR. SALIM)
   - Copper made horn

2. DiAD Ltd
   - 142 Artjomia str, Donetsk 83004, Ukraine
   - Tel : +00 38 062 348 25 07
   - Fax : +00 38 0622 719381
   - Email : inter@diad.com.ua
   - Tinned Fruits.

3. Saad A. Qadeer
   - 791-Z, Defence Housing Authority
   - Lahore Cantt 54792, Pakistan
   - Tel No ++ 92-42-5764854, 5764855
   - Mobile No ++ 92-300-8470750
   - Email : haz_handicrafts@hotmail.com
   - Website : www.Hazhandicrafts.com
   - General merchandise

4. Peter J.A. Stuart (Pvt) Ltd
   - (2711) 76 2323
   - Fax : (2711) 068 652 9459
   - Mobile : 082 773 6439
   - Email : jeff@pjastuart.co.za
   - Website : www.peterjastuart.com
   - Furniture

5. Trade Point (Baku) Azerbaijan
   - 85, S. Askerova-street, Baku-370009, AZERBAIJAN
   - Tel : +994-502613251-4
   - Email : qualitypetroleum@hotmail.com
   - General merchandise

6. Concept Commodities
   - 16, Dilkusha C/A (4th Floor)
   - Dhaka - 1000, Bangladesh
   - Tel : +880 2 9563943
   - Fax : +880 2 9563943
   - Cell: +880 1715325844
   - Red Lentils in bulk quantity

7. A. International
   - Dhaka, Bangladesh
   - Tel : 880 2 815 5847 (Off), 880 01715 106290 (Cell)
   - Email : arnold.corraya@gmail.com
   - Onion, Ginger & Lentil

8. Firdous Trading Company
   - P.O. Box No. 4877, Karachi, Pakistan - 74000
   - Tel : +92-21-2431225 / 2430436
   - Fax : +92-21-2410778 / 2420487
   - Email : mehdi@cyber.net.pk
   - Hide and Skins

9. Hotscac imports
   - Sydney Australia
   - Mobile : 0401803226
   - Email : stephenramsey@optusnet.com.au
   - Red Lentils.

10. A.B.I. Steel
    - Tin Plate ETP In Sheets or Coils;
    - Galvanized Steel Sheets Plain / Coils;
    - Cold Rolled Steel Sheet (C.R) in Sheets / Coils;
    - Stainless Steel in Sheets/ Coils (Magnetic & Non Magnetic)

EXPORT

1. Hameed Electric Industry
   - G.T. Road, Lohianwala
   - Off. Crescent Star Road
   - Gujrawala, Pakistan.
   - Tel : 0092 55 3894636-7
   - Fax : 0092 55 3894638
   - Email : info@unitedwash.com
   - Web page : www.unitedwash.com
   - Cooler

2. RGV Overseas
   - Lakshmi Apartments, F-2, 2nd floor
   - No. 95, Periyar
   - Pathai, Choolaimedu, Chennai-
   - 600094
   - Tel : +44-2361 5464
   - Fax : +44-236 15363
   - Email : info@rgoverseas.co.in
   - Website : www.rgoverseas.co.in

3. Fem Care Pharma Ltd.
   - Nasik, India
   - Tel : 91 253 2375886, 2375719
   - Fax : +91-22-22664785
   - Email : sales@femcareindia.com
   - Web page : www.femcareworld.com
   - Ayurvedic Medicine

4. Geo Hon Co. Ltd.
   - Taiwan
   - Tel : 886-6-2492325-7
   - Fax : 886-6-2492324
   - Email : formasafiller@yahoo.com.tw
   - Web page : www.mechanism.com.tw
   - Food and beverage machinery.

5. A.G.M. Group
   - Office-Taipei
   - 16, Dilkusha C/A (4th Floor)
   - Dhaka, Bangladesh
   - Tel : 886 2 2388 9555
   - Fax : 886 2 2388 9333/2388 5040
   - URL : www.agmgroup.info / www.anngu.com


7. Siepmann’s Card Systems Pvt. Ltd.
   - 16, Dilkusha C/A (4th Floor)
   - Dhaka, Bangladesh
   - Tel : 880 2 8153251-4
   - Email : sanjeevan@arihealthcare.com
   - Web page : www.siepmanns.net

8. Shinhae Industries, Inc.
   - #682-1, Woogye-ri, Sangdong-myun
   - Kimhae-city, kyungangnum-do, korea
   - (Zip code : 621-812)
   - Tel : 82-55-326-5670,5671
   - Fax : 82-55-326-5672
   - Email : bradjung@shinhaeinc.com

9. Custom molded rubber products and rubber sheets

10. Shaninck International
    - Sada-i-Saher Road, Mustafa Town SIE,
    - Sialkot-51310, Pakistan.
    - Tel : 0092-52-3255265
    - Fax : 0092-52-3257085
    - Email : shanipk@skt.comsats.net.pk

11. Sports Goods & Medical, Dental, Surgical & Beauty Instruments and as well as kinds of Scissors and Forceps.

12. Dux International
    - Mohallah Kshmiri, Showk Imam Sahib,
    - Sialkot-Pakistan.
    - Tel : 0092 52 4591754/929494
    - Fax : 0092 52 4591754
    - Cell No. 0092 34567 48559
    - Email : duxintl@skt.comsats.net.pk

13. Surgical and Dental instruments and other surgical items.